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Office of War Information,
Office of Program Coordination

Information Program

on

Economic Stabilization

To Keep Down the Cost of Living

[SECOND EDITION—JULY, 1943]

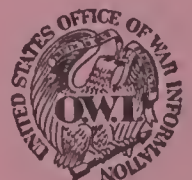
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OFFICE OF WAR INFORMATION

Domestic Branch Washington, D. C.



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Information Program on Economic Stabilization to Keep Down the Cost of Living

Prepared by the Office of Program Coordination, Office of War Information, and reviewed by the Office of Economic Stabilization, Office of Price Administration, Treasury Department, Federal Reserve Board, Department of Agriculture, War Labor Board, and War Food Administration.

Second Edition.

JULY 1943.

Preface

Experience has shown that a basic information outline is necessary for any information program dealing with the war effort if confusion is to be avoided and a clear-cut, understandable presentation of the facts made to the public.

The basic information program book contains the following:

- I. A statement of the problem which requires the action of the people and their Government—in this case preventing inflation by holding down prices and wages in keeping with congressional mandate of October 2, 1942, and the President's Executive Order of April 8, 1943.
- II. A description of the program to cope with the problem.
- III. A statement of the objectives of the information program.
- IV. Suggestions for the treatment of the information so that it may be presented to the people in the most understandable form possible.

The basic information outline thus provides background material for OWI Media Bureaus, for the information departments of the various Government agencies concerned with the campaign, and for advertisers and media wishing to cooperate in bringing the message to the public.

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The Information Program at a Glance:

The Problem of Rising Prices in Wartime:

It is absolutely necessary that we hold prices down and this can be done. Our individual welfare, as well as our national welfare, depends on a strong national program of economic stabilization.

The danger of a serious price rise is great in wartime. The war has created a huge supply of spendable income and at the same time has reduced the supply of goods and services available for civilians. The resulting volume of *excess* purchasing power exerts an intense upward pressure on prices, as buyers bid against each other for scarce goods, sellers seek higher prices and profits, and workers seek higher wages. As this pressure causes price rises to occur, they in turn force up the prices of other goods, tend to push up wages and business costs, and can set in motion a mounting spiral of price and wage increases.

If prices were to get out of control—and they have not—economic disorganization could result which would lengthen the war, cause hardships for nearly every one—now or later—and make difficult the attainment of many of the benefits of the peace to come.

The pressure of excess purchasing power must be met in two ways:

1. It must be *reduced* by diverting it into channels other than the purchase of goods; e. g., higher taxes, buying War Bonds, savings, life insurance, etc.
2. It must be met *directly*—by Government controls on prices and wages and by voluntary civilian action.

In other words, all unnecessary spending must be avoided and group or individual pressures for higher prices and higher wages must be resisted.

The Program to Hold Down Prices:

The program to hold down the cost of living revolves mainly about the seven-point pro-

gram proposed to Congress by the President on April 27, 1942.

The program calls for a two-way attack on the danger of rising prices. One group of measures seeks to *drain off excess purchasing power and thus reduce the pressure on prices by*

- taxing individuals and corporations heavily;
- discouraging installment and credit purchases;
- diverting excess purchasing power into nonliquid channels such as War Bonds, insurance, and savings.

These measures are designed to reduce the number of dollars bidding for a limited supply of goods. But, in addition, it is necessary to utilize direct controls on prices and distribution. A second group of measures attempts to “*sit on the lid*” of prices by

- putting ceilings on the prices of most consumer goods and on rents;
- rationing scarce goods;
- stabilizing wages;
- stabilizing farm prices.

Thus far the program has worked with a considerable degree of success, but many experts, both in and out of Government, believe that stronger controls are necessary. It should be remembered that the program is two-sided, involving both Government and civilian action.

What Civilians Can Do To Help Hold Down Prices:

Although the activities of Government must be the focal point of any program to hold down prices, civilians must act by doing the following if the program is to be fully successful.

1. Buy and hold as many War Bonds as you can afford.
2. Pay willingly any taxes . . . increased taxes . . . that your country needs.

3. Pay off your debts and avoid making new ones.
4. Provide for your own and your family's future with adequate life insurance and savings.
5. Pay no more than ceiling prices. Buy rationed goods only by exchanging stamps.
6. Buy only what you *need*. Make the articles you have last longer by proper care and avoidance of waste.
7. Don't try to profit from the war. Don't ask higher prices if you are a businessman or farmer. Don't ask for higher wages or salaries.

Objectives of the Information Program:

The information program must create such an *understanding* of the problem that the people will support steps necessary to hold down prices and will do all they can to hold down prices and wages by their own voluntary actions.

People Must Understand—

That the higher incomes which many of them enjoy today arise directly out of the war and that they have a *responsibility* to use their incomes to help speed victory. War is not the time to improve one's standard of living; it is a time of sacrifice.

How prices can get out of control unless *all* of us do our part . . . how one price increase leads to another, then to a wage increase, then to another.

The elements of the wartime economic program and the relation of each element to the rest of the program.

That it is contrary to their own interest to do anything which will help foster a serious rise in prices.

That it is unpatriotic to do so.

That they must practice self-restraint, make sacrifices . . . sometimes unequal ones.

It is especially important that they understand the need of foregoing their own temporary advantage—*foregoing unnecessary purchases, foregoing price and wage increases, resisting the attempts of others to increase their prices or wages.*

This understanding must be in such intimate *personal* terms that people will do all of the seven things (mentioned previously) by which they can help hold down prices.

Suggestions for the Informational Approach (all media should keep these points constantly in mind).

1. The complexities of the problem should be avoided by always explaining it in *simple, personal terms*.
2. *The word "inflation" should be avoided wherever possible.* People are confused by it. Such terms as "high cost of living," "rising prices," "uncontrolled rise in prices," "holding prices down," "keeping prices and wages down" are much more understandable and usually more specific and accurate.
3. **AVOID CREATING FEAR ABOUT PRICES.** This is of *utmost importance*, because such expectations in themselves easily can cause prices to rise and to get out of control.
4. All phases of the program should be constantly and consistently linked together; for they are interdependent.
5. The same holds true for what people can do by their own actions to hold down prices; for they, too, are interdependent.

PLEASE READ SECTIONS III AND IV OF THE PROGRAM BOOK CAREFULLY AND IN DETAIL

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I. The Problem of Rising Prices in Wartime

(NOTE.—This section states the problem; does not suggest how the information program should be developed. It is *most important that you read sections III and IV regarding the treatment of information so that it will be most understandable.*)

1. It is *absolutely necessary* for the welfare of our citizens and for the national well-being as a whole, *that we keep prices down.*

A serious rise in prices is the enemy of economic stability; and our individual welfare, as well as the national welfare, depends upon a *strong national program of economic stabilization.*

2. History shows that large-scale and long-continued military expenditures, financed in ways that give people more, rather than less, money to spend *without a corresponding increase in things to buy*, have been a common underlying cause of serious uncontrolled rises in prices in wartime.

3. *The danger of a serious rise in prices is great in time of total war:*

- a. Total war demands such a huge amount of goods and services that a large part of our productive capacity must be converted from the production of peacetime goods to producing the materials of war.

The astronomical growth of total war's demand for goods and services is illustrated by the following figures:

1939—we spent 1.4 billions to buy goods and services for war purposes (2 percent of our gross national income—the sum of expenditures by Government, by consumers, and by private business for capital formation).

1940—we spent 2.7 billions (\$3 out of every \$100).

1941—we spent 12.5 billions (\$10 out of every \$100).

1942—we spent 49.1 billions (\$32 out of every \$100).

1943—it is estimated (on the current rate of expenditures) that we will spend about \$90 billions or about \$50 out of every \$100.

Thus in 1940, the year before Pearl Harbor, we spent only one dollar out of every thirty-three of our gross national income for war purposes; one dollar out of ten in 1941; one dollar out of three in 1942; and, according to present estimates we will spend about one out of every two dollars of our gross national income for our war against the Axis in 1943.

- b. Obviously such a huge diversion of our productive capacity to the war effort requires the conversion of a large percentage of our industry to war production. *Such conversion also reduces the amount of available consumer goods and services.*

The reduced amount of goods produced for civilians is illustrated by the following production figures:

	1940	1942	1943
Passenger automobiles (thousand units).....	3, 715	226	(Estimate)
Radios and phonographs (million units).....	11. 8	3. 5	
Mechanical refrigerators (thousand units).....	2, 600	520	
Heating stoves (thousand units).....	3, 639	*3, 094	1, 274
Razor blades (billion units).....	2. 1	1. 9	1. 8
Cooking stoves (thousand units).....	4, 162	*2, 456	1, 041
Electrical appliances (million dollars).....	75	15	1. 5
Private construction (billion dollars).....	4. 4	3. 0	1. 5

* Includes military use.

Even Federal, State, and local non-war expenditures were affected, as government units converted to a war-time basis. In 1939 expenditures for this purpose were 14.6 billions; in 1941, 13.1 billions; and in 1942, 12.5 billions.

- c. *But more people are working than ever before—working harder and working longer.*

Thus in 1939 there were 29.8 million civilians employed in nonagricultural work; these figures exclude proprietors, self-employed persons, and domestic servants, military and naval forces and emergency workers. But by April 1943 this figure had risen to 38.4. Of these, 13.7 millions were engaged in manufacturing as against 8.2 millions in 1939; the increase being due almost entirely to the war effort.

Not only were more people working, but they were working harder and for longer hours. In 1939 the average hours worked per week in durable manufacturing industries was 38; in April 1943 it had risen to 46.7 hours. In 1939 the average work week in non-durable manufacturing industries (textiles, foods, paper, chemicals, petroleum, rubber, etc.) was 37.4 and in April 1943 it had risen to 42.4 hours.

- d. *Moreover, like the supply of goods, the supply of labor also is scarce; so that there is a pressure for the “upping” of salaries and wages. There is also a tendency for farm prices and business profits to rise.*

The results of this upward pressure are illustrated in the following figures:

The total amount paid out in wages and salaries increased from \$46.4 billion in 1939 to \$89.7 billion in 1942. Average weekly earnings of workers in manufacturing industries rose from \$23.86 in 1939 to \$36.65 in 1942 and to \$42.48 in April 1943.

Farm wage rates were 104 percent of the 1935–39 average in 1939, 158 percent of that average in 1942, and 218 percent of it in June 1943. The net income of farm operators was \$4.5 billion in 1939—\$10.2 billion in 1942.

Net corporate profits (before taxes) amounted to \$5.5 billion in 1939—to \$19.7 billion in 1942. Net corporate profits *after taxes* rose from \$4.2 billion in 1939, to \$7.7 billion in 1941, and then remained comparatively stationary.

Not all of these profits, of course, were disbursed to individual stockholders. Because corporations needed money for conversion, expansion and post-war contingencies, dividend payments increased only slowly between 1939 and 1941, and actually declined in 1942. In all 3 years, however, dividends constituted a fairly substantial item—\$3.85 billions in 1939; \$4.44 billions in 1941; \$4 billions in 1942.

Interest payments increased slightly during this period—from \$5.1 billions in 1939 to \$5.3 billions in 1941 and \$5.4 billions in 1942.

- e. *All of this means a tremendous increase of the amount of money in the possession of the public.*

Thus in 1939 income payments to individuals in this country amounted to 71 billion dollars; in 1941 to 92 billions; and in 1942 to 116 billions. The estimated income payments to individuals for 1943 is about \$140 billions.

- f. *People desire various kinds of goods and services and have plenty of money to pay for them. Thus they will want to use their portion of this huge supply of money to bid competitively for the limited supply available. In consequence, prices are forced up.*

Compare the income of individuals with the available goods and services

and you can see the pressure which is being exerted on prices even after taxes have been subtracted :

	1942	1943 (Est.)
	Billion Dollars	
Income payments to individuals..	116	140
Personal taxes, etc.....	7	¹ 15
Disposable income.....	109	125
Consumer goods and services.....	82	² 80
Excess of disposable income over consumers' goods and services in 1942 prices.....	27	45

¹ Under present laws.
² In 1942 prices.

This pressure was so strong that, despite partially successful efforts to resist it, the cost of living was pushed up in 1942 to 18 percent above the August 1939 level; by May 1943, the increase was more than 26 percent.

g. Thus underlying conditions of an extensive price rise exist today in this country. Control of prices, therefore, is imperative.

4. The price structure of the country is complex and closely knit. A rise in the price of one commodity increases the cost of making or distributing other commodities and creates a pressure for raising the prices of these goods. Thus a mounting flood of price increases can be generated.

In discussing price we frequently forget that *increased wage rates* exert a heavy pressure on other prices. Wages are a part of cost. When they rise, costs rise. If higher wages force up prices, the cost of living is increased and there is a pressure for even higher wages. This, too, helps to swell the mounting flood of price increases.

Therefore, controls must be imposed on:
Prices of farm products and raw materials.
Manufacturers', wholesale and retail prices.
Wages and salaries.
Rents and the prices of services such as transportation, power, etc.
Profits.

5. Direct controls—ceilings on prices and wages—are not enough in themselves to hold down prices and the cost of living over any period of time.

Direct controls are “sitting on the lid.” Meanwhile the tremendously increased supply of purchasing power continues to exert pressure from beneath the lid.

This pressure must be relieved by draining it off into channels which will help pay directly for the war—taxes and the purchase of War Bonds.

This is of primary importance; for it relieves the pressure at the source and thus makes the task of price control easier.

Therefore, two means must be used to hold the line against a rise in prices.

a. The pressure of excess spending power must be reduced by putting these dangerous dollars to work in winning the war—by putting them into taxes and War Bonds.

A large portion of the 45 billions of excess dollars, over and above the value of estimated available goods and services for civilians must be diverted into these channels if the pressure on prices is to be minimized.

b. Prices and wages must be controlled.

6. Thus far there has been considerable success in holding the line against rising prices and ballooning wages and therefore against a rising cost of living; more than is usually realized, but LESS than will be necessary to prevent dangerous price rises in the future.

(NOTE.—Before using the following figures in informational material, it is well to check with the Office of Program Coordination, OWI, to ascertain if later ones are available.)

As an example of the degree to which prices have been controlled, the cost-of-living index rose at a rate of 13 percent a year from December 1941—the month Pearl Harbor was attacked—until May 1942, when the General Maximum Price Regulation was put into effect. From

May 1942 to May 1943 the rise was slowed to 7.8 percent.

The degree of effectiveness of price controls, where applied, is illustrated by the fact that from May 1942 (when GMPR was put into effect) until January 1943, the controlled items of the cost-of-living index rose but 1.5 percent, while the uncontrolled items rose 10.2 percent. (Since January 1943 nearly all basic cost-of-living items have been subject to price control.)

The effect of price controls is evidenced even more clearly by the relative rates of change (increase or decrease) in the Bureau of Labor Statistics Cost-of-Living Indexes for principal items of consumption during the period May 1942–May 1943 (the period since GMPR went into effect) as compared to the corresponding period May 1941–May 1942 (before GMPR).

	Percentage Changes in the BLS Cost-of-Living Indexes	
	May 1941 to May 1942	May 1942 (GMPR) to May 1943
	Percent	Percent
All Items.....	12. 1	7. 8
Food.....	19. 0	17. 6
Clothing.....	23. 0	1. 3
Rent.....	3. 1	—1. 7
House furnishings.....	17. 1	2. 0
Fuel, ice, and electricity.....	3. 1	2. 6
Miscellaneous.....	8. 1	3. 8

On the wage front, increases have been held to a substantial degree. Between September 1942 and February 1943, industrial transportation, trade and service pay rolls increased 4.9 percent. Three-quarters of this rise resulted from expanding employment, increases in hours of work and shifts of workers from low-paid civilian to higher-skilled and higher-paid war jobs. One-quarter of the rise resulted from changes in the price of labor (basic wage and salary rates).

Between October 1942, when the WLB

was given authority over wage increases reached through voluntary negotiations, and May 1943, wage adjustments approved by the Board affected prices in only four out of every 1,000 cases voluntarily submitted to it. (This included 98.6 percent of all cases.)

7. The price pressure today is intense; but not so intense that it cannot be controlled by a strong national policy of economic stabilization.

The situation is serious because of the great pressure of excess purchasing power—our 45 billion against
pressure for increased wages,
pressure for increased farm prices,
pressure for higher price ceilings.

8. *The problem of “all-around” holding down prices is almost as much a psychological one as it is legislative and regulative.*

There are two major psychological aspects to the problem :

The *first* is the fact that people are all for holding down the prices of the things they buy, but are not always for holding down the price of what they have to sell.

This is true of workers, farmers, and businessmen. When either asks for an exception to the rule, he seriously weakens it.

Wages, prices, and profits must be kept down if the general price level is to be kept down.

The *second* is the fact that, if people expect prices to rise rapidly—and if they have money to buy goods—they will rush out to buy before prices go up any farther. This, of itself, will help to force up prices.

Thus A FEAR OF RISING PRICES can generate a most dangerous pressure for price increases and seriously hinder the achievement of economic stabilization.

9. *Should we fail to hold prices down, most serious consequences can ensue.*

a. *A serious rise in prices and wages would increase the cost of the war and could easily help to lengthen it.*

If prices doubled it would raise the cost of the war from \$250,000,000 a day to \$500,000,000 a day—all of which would have to be paid out of taxes and the increased sale of War Bonds.

If prices rose rapidly and unevenly—as they would if uncontrolled—

The weekly wages of some 50,000,000 persons would have to be raised time and time again. That adjustment would take place unevenly, would create much confusion and conflict, would foster labor disputes and hurt morale . . . *would impair the war effort.*

Every business unit in the land would face such maddening uncertainties in every item of costs from a rapid upsurging in prices that businessmen would not know how to plan their operations. Confusions would result. *The war effort would be slowed up.*

b. *Few, if any, would benefit from a serious rise in prices; and practically all would suffer in the end.*

Those with relatively fixed incomes *would suffer at once.*

And this is a very considerable proportion of the entire population. During the last half of 1942 between 12 and 13 million people, it is estimated, were directly dependent—in whole or in large part—upon relatively fixed incomes. This includes two large groups: nearly six million federal, state and local Government employees, including teachers; and more than six million individuals receiving public assistance, military allotments, vet-

erans' and civil-service pensions, railroad retirement payments, and old-age and survivors insurance under the social security system. It does *not* include the more than eight million men in the armed services, the many large groups of workers, including white collar workers, whose wages rise with notorious slowness, nor the considerable group of people receiving annuity payments from life insurance companies.

Some of this group of 12 to 13 million, it is true, had other sources of income less fixed in character. But this is more than offset by the fact that many of them had others dependent upon them. For example, from eight to ten million people, it is estimated, were dependent upon the earnings of government employees. Even when allowance is made for duplication, it appears that upwards of 20 million people were largely dependent upon relatively fixed sources of income. Millions more, of course, were partly dependent upon fixed sources of income, such as interest and life insurance payments.

c. *Those who received increases in wages or prices would live in a fool's paradise for which the final day of reckoning would be swift and certain.*

There would be no more civilian goods to buy than there are now. It merely would take more dollars to buy those goods—dollars which, if prices had not risen, could be put away to buy greatly improved goods after the war.

Prices usually start rising faster than wages, so that consumer purchasing power lags behind rising prices. Business also would have begun to stagnate under the weight of increased costs and mounting uncertainties of operation. At this point, it would take very little to knock down the house of cards

which uncontrolled price rises had reared.

Material curtailment of Government expenditures for war production—once the war is over—would reduce business activity unless the manufacturing plants and their labor could be diverted to the production of peacetime goods.

However, with purchasing power “squeezed” by the high prices, the civilian market only could absorb these goods at reduced prices. Consequently prices would start to fall.

Once prices started down, they would come tumbling. The whole price structure would collapse like a house of cards. There would be *panic and depression*.

After the last war, inflation was followed by drastic deflation. From early 1920 to 1921 wholesale prices fell an average of 45 percent. The collapse following the last war brought industrial production and factory payrolls down 30 percent, created widespread business losses and unemployment.

Such a rapid drop in prices would mean untold suffering for many.

For wage earners it would mean serious cuts in wage rates, reduced working hours and actual unemployment. There would be less money to pay off mortgages on houses bought at high prices; less money to meet insurance premiums on policies bought when prices and wages were high.

After the last great war employment fell by 5 million, wage payments in manufacturing industries fell from \$13.6 billion to \$8.3 billion; average earnings in manufacturing fell from \$1,464 a year in 1920 to \$892 a year in 1921. In the great depression of the '30s the collapse was even worse. Salaries and wages in private industry

fell from \$47½ billion in 1929 to \$24½ billion in 1933; about 15 million people were thrown out of work out of a total of less than 50 million who were employed in 1929. In manufacturing alone, payrolls fell 65 percent

For farmers it would mean less money coming in to pay for farms and equipment bought during the period of high prices. It would mean failure and foreclosure. (Raw material prices tend to drop even faster and farther than do the prices of finished goods.)

Farmers went through the same tragic experience. After the last war the prices they received dropped from 244 percent of the 1909–14 average in May 1920 to 113 percent in May 1921, a fall of 54 percent; the prices they paid, including interest and taxes, fell only 20 percent, while the debts they had incurred at high prices remained constant. In the great deflation of the '30s the prices farmers paid, including interest and taxes, fell 33 percent, but farm prices fell 64 percent. Net income of farm operators, which was \$5.2 billion in 1929, shrank to \$1½ billion in 1932. In the years from 1930 to 1933, 650,000 farms went under the hammer. (Distressed sales other than tax sales.)

For businessmen—many of them—it would mean severe losses and financial readjustments; often receivership or bankruptcy.

In both deflations the businessmen suffered along with everyone else. After the last war production fell 30 percent and corporate profits, which were \$5.9 billion in 1919, crashed to \$400 million in 1921. Again after 1929, production fell over 60 percent. Corporate profits in 1929 were \$7.2 billion; by 1932 not only had they been completely wiped out, but they had been converted into losses of \$3.6 billion.

d. A serious rise in prices and consequent later price collapse could rob us of many of the benefits of the peace to come.

The complete collapse of prices would bring business stagnation that would eat up all the savings of the high-price period and would rob people of the *Freedom from Want* for which we are fighting.

Interest charges on War Bonds and the Bonds themselves still would have to be paid. But the volume of these payments would be much greater than would have been necessary if prices had not been allowed to rise. These payments would require large amounts of taxes—involving much heavier sacrifices for those that paid them, now that prices, incomes, and wages had dropped.

All of this would take money and national energies which, if prices had not been allowed to rise in uncontrolled fashion, could have been used to build a strong, stable, prosperous nation.

10. *The pressure of rising prices will not stop immediately after the war, but will continue—*

because war production will not stop at once;

because a large supply of consumer goods will not come on the market at once;

because people will have large supplies of savings and bond investments which they will want to spend immediately for goods and services.

The more we do now to hold down prices, the easier it will be for us to make the shift to peacetime.

II. The Program For Economic Stabilization

(NOTE.—This section has been included as a matter of reference for dates of official actions and the reasons for them. It has been prepared as background and explanation, and is not designed either for detailed use in the program, or to suggest how the program should be developed. Please read Sections III and IV for suggestions as to the treatment of information so that it will be more understandable.)

Guiding Principles:

In order to hold prices down and to promote economic stabilization, the problem of rising prices must be attacked from two angles:

1. *The pressure of the mounting excess spending power must be relieved by putting this money to work in winning the war—through payment of taxes and purchase of War Bonds.*
2. *Strong direct controls must be exerted on prices and wages.*

What must be done to make this joint attack on rising prices successful was set forth by the President in his 7-point program presented before Congress on April 27, 1942:

1. *Tax heavily and keep profits down.*
2. *Fix ceilings on prices and rents.*
3. *Stabilize wages.*
4. *Stabilize farm prices.*
5. *Save more, buy less.*
6. *Ration all essential commodities that are scarce.*
7. *Discourage installment buying and encourage paying off debts.*

Application of the Principles (a running account):

1. *Early steps toward price stabilization.*
The program for price stabilization began on May 28, 1940, when the Price Stabilization Division was established as a part of the Advisory Commission to the Council of National Defense. The Division confined itself largely to price watching rather than price control, but it exercised some restraining influence over many important raw materials

(copper, lead, zinc, glue, wool, farm implements, etc.).

By February 1941, defense expenditures were running at \$7 billion a year, almost five times as great as in the previous May. Wholesale price rises were becoming serious. The index of 28 basic commodities rose 25 percent from February to June 1941. In the first half of 1941 hogs were 56 percent higher, cottonseed oil more than doubled. Shortages had spread; bottlenecks developed; prices caused by specific shortages threatened to start a general wave of price increases. Price pressures became too strong to be coped with through consultations with industry and public warnings. The Price Stabilization Division, therefore, issued five maximum price schedules covering second-hand machine tools; aluminum scrap and secondary aluminum ingots; zinc scrap and secondary ingots; iron and steel scrap; and bituminous coal. With the exception of bituminous coal (issued to prevent a run-up during a strike and later revoked when the strike ended) these were designed to keep down prices of products most acutely demanded in "tooling up" for defense. They did not have the force of penalties behind them, but depended for enforcement on publicity and the voluntary cooperation of the industry. They proved to be inadequate.

Rising price pressure led to the replacement of the Division with the Office of Price Administration and Civilian Supply (OPACS) in April 1941. On April 16, 1941, OPACS imposed a ceiling on

all iron and steel products—to prevent a wage increase of 10 cents an hour from causing an increase in prices. This action extended price control over about 12 percent of the wholesale value of manufacturing. It had the effect of holding down the prices of the most important materials used directly and indirectly in our armament program.

By August 1941, OPACS had brought nearly one-quarter of the wholesale price structure, chiefly metals and other important industrial raw materials, under formal or informal price agreements. As a result an important element of manufacturing costs was stabilized.

However, the pressure on prices became increasingly severe. Defense expenditures had passed the \$12 billion a year level. By this time production of civilian goods had reached its peak. Henceforth, it was to decline, in spite of increasing purchasing power; although some relief was provided during the coming months by enormous inventories. Production of war materials increased rapidly, employment grew. Stronger measures to control prices were imperative. Accordingly, steps began to be taken along several of the lines later incorporated in the 7-point program.

Control of prices.—By December 1941, nearly 40 percent of the wholesale price structure was either under formal or informal control, although no important retail prices were under control.

Discouragement of installment buying.—In September 1941, the Federal Reserve Board's Regulation W inaugurated restrictions on consumer installment credit by increasing down payments and shortening maturity periods for 24 metal-using commodities.

From May 1940, when the defense program was inaugurated, to January 1942, when emergency Price Control Act became law, wholesale prices had risen

over 22 percent and the cost of living had risen 12 percent.

Taxation.—Two revenue acts were enacted in 1940 and one in 1941. The first Revenue Act of 1940 levied the defense tax, reduced personal exemptions, and increased certain surtax rates; the Second Revenue Act of 1940 levied the excess-profits tax; and the Revenue Act of 1941 provided for further lowering of personal exemptions and a considerable increase in personal income tax rates.

2. *From the Emergency Price Control Act (January 30, 1942) to the President's message of April 27, 1942.*

The Act gave OPA undisputed authority to control prices and rents, and provided specific means to punish violators; but limited OPA's power to control farm prices and the prices of products processed from them.

Significant actions taken by various Government agencies to hold down prices during this period were as follows:

Rationing.—While rationing does not act directly as a price control, it helps to hold down prices. During the period January 27–April 20, tires, automobiles, and typewriters were rationed.

Rent Control.—On March 2, 1942, OPA designated 20 “defense-rental” areas in 13 States. The Administrator recommended that residential rents be reduced to (or stabilized at) levels prevailing on a designated “maximum rent date.” Generally this was the most recent date when the rental market was not unduly affected by the impact of war activities. After 60 days, if local action was not taken, the Administrator was empowered to set a Federal rent ceiling.

Wholesale prices had continued to rise in this period, although not quite as rapidly as in previous months. But the rise in cost of living had not slowed up at all.

3. *From the President's message of April 27, 1942, to April 8, 1943, when the President's "hold-the-line" order was promulgated.*

Steps to Reduce the Pressure on Prices:

a. Taxation and Control of Profits.

The Revenue Act of 1942, enacted on October 20, provided \$4 billions more in revenue from the individual income tax on 1942 incomes of individuals than if the income-tax rates previously effective had remained in force. In addition, the Victory tax was enacted to apply to 1943 incomes, and it is estimated that the Victory tax liability of individuals on their 1943 incomes will amount to a little less than \$3 billions. Altogether, the portion of Federal tax liabilities of individuals actually due in 1943 was raised by about \$6.5 billions as a result of the Revenue Act of 1942. These tax increases, however, did not keep pace with increases in income payments. Income payments in the fourth quarter of 1942 were running at the rate of \$127 billions a year, \$21 billions higher than the average rate for the first quarter of the year, when the revenue bill of 1942 was first taken up. Moreover, it is estimated that income payments in the calendar year 1943 will amount to something like \$140 billions.

b. Encouraging Saving.

The Victory Fund Drive in December 1942 yielded \$13 billion, substantially exceeding the announced goal of \$9 billion.

In April 1942, about 12 million people, including men in the services, were participating in the pay-roll savings plan and were having \$96 million a month, or 4.9 percent of their pay, deducted for the purchase of War Bonds. In June 1943, there

were about 27 million people participating and they were contributing \$425 million a month, or 9.1 percent of their pay.

In its Second War Loan Drive in April 1943 the Treasury sought to raise \$13 billion and actually raised \$18.5 billion.

c. Discouraging Installment Buying.

May 6, 1942.—Consumer credit restrictions were tightened, chiefly by requiring prompt payment of outstanding charge accounts, which were not regulated before, broadening the list of commodities covered by installment regulations, reducing maturity periods, and increasing down payments.

Steps to Control Price Rises:

a. Price Control.

April 28, 1942.—OPA issued General Maximum Price Regulation, ending the period of selective control—i. e., control over selected commodities. Selective controls had been extended to 55 percent of the economy at the wholesale level, but, with minor exceptions, control of retail prices was nonexistent. The GMPR brought an additional 28 percent of wholesale prices under control and placed ceilings over 62 percent of the cost of living. The GMPR froze prices of all commodities (with certain stated exceptions) at the highest level charged by each seller during March 1942. Certain categories of prices were exempted from the GMPR (1) because control was considered to be inadvisable (e. g., newspapers, books, motion pictures, etc.) or (2) because control would be difficult (e. g., highly seasonal fresh vegetables). (3) Also exempted were commodities covered by other regulations issued by the Office. But by far the most

important prices not covered by the GMPR were (4) farm prices, which according to the original Price Control Act, could not be controlled until they reached levels substantially above parity.

February 23, 1943.—To halt the skyrocketing of fresh vegetable prices as a result of the imminent rationing of dried, frozen, and canned vegetables, OPA froze the prices of tomatoes, snap beans, carrots, cabbage, and peas. (TMPR 28.) Lettuce and spinach were controlled shortly afterward. (TMPR 29.) After this action, the only foods still uncontrolled at retail were chiefly fresh fish, fresh fruit, and lesser vegetables, such as sweet potatoes, broccoli, artichokes.

March 15, 1943.—Dollar and cent ceilings were announced for retail pork prices. These were the first dollar and cent ceilings on food products and were expected to be an effective blow to black markets in meats.

b. Rent Control.

April 28, 1942.—Following the President's 7-point program, OPA named 302 additional areas as subject to Federal rent control. In May, rents reached their highest point and reductions began to outweigh increases. By January 1, 1943, Federal rent control had been inaugurated in 355 areas with a population of approximately 76 million.

c. Stabilizing Farm Prices.

September 7, 1942.—The President addressed a message to Congress calling for prompt amendment of the Price Control Act to permit control of farm prices when they reached parity. Although prices controlled by the GMPR were stabilized, prices which could not be controlled because of the limitations in the Price Control Act regarding farm commodities were

rising at an accelerating rate. Rising farm prices were driving up retail food prices and the cost of living. In the three months from May to August 1942, wholesale prices of commodities other than farm products and food had been held unchanged, but prices received by farmers had risen over 7 percent, wholesale prices of food almost 2 percent. Retail food prices had risen nearly 4 percent, while other components of the cost of living had remained virtually unchanged or had been cut. Immediate stabilization of farm prices and wages was imperative, but one could not be achieved without the other.

October 2, 1942.—An Act amending the Price Control Act was passed which authorized the President to issue a general order stabilizing prices, wages, and salaries affecting the cost of living. It permitted the establishment of a maximum price for an agricultural commodity at parity or the highest level attained between January 1 and September 15, 1942, whichever was higher. It also prevented public utilities from increasing rates over September 15, 1942, level, without giving 30 days' notice, to the agency designated by the President and without consenting to the intervention of that agency. *It provided floors under certain basic farm prices for 2 years after the war.*

October 5, 1942.—The Act of October 2 made it possible to issue Temporary Maximum Price Regulation No. 22, bringing the following foods under control at both wholesale and retail levels: poultry, butter, cheese, evaporated milk, eggs, wheat flour, corn meal, onions, navy beans, and oranges. This action raised the proportion of retail foods under control to 90 percent. With passage of the Act of October 2, the battle to extend the

coverage of price control was substantially over.

January 13, 1943.—Corn prices were placed under temporary freeze. The rise in corn and other important feed prices had been raising costs of livestock, dairy, and poultry producers.

March 12, 1943.—Permanent ceiling on corn prices replace the temporary freeze.

d. Stabilizing Wages.

July 16, 1942.—The War Labor Board announced the “Little Steel” formula. Between January 1, 1941, and May 1942 (when the GMPR went into effect), the cost of living had increased about 15 percent. According to this formula, petition for wage increases were granted by WLB only if the straight-time hourly wage rates of the workers in question had risen less than 15 percent since January 1, 1941. Otherwise, claims for wage adjustments had to be based upon the inequalities or the substandard conditions referred to in the President’s message of April 27, 1942.

October 3, 1942.—Under authority of Act of October 2, the President created the Office of Economic Stabilization, appointed Supreme Court Justice James F. Byrnes as Director, and ordered him to form a comprehensive national economic policy to prevent increases in the cost of living. The Order extended the functions of the National War Labor Board to all industries and all employees, stated that changes in wage rates were not authorized unless approved by the Board, and ordered the Board not to approve increases in wage rates prevailing on September 15, 1942, unless necessary to correct maladjustments or inequalities, to eliminate substandards of living, to correct gross inequi-

ties, or to aid in the effective prosecution of the war.

In manufacturing industries from September 1942 to February 1943, straight-time hourly rates in all manufacturing increased 1.9 cents, or a third of the rise during the same months the year before. This figure overstates the actual change in wage and salary rates, since it includes upgrading and shifts to higher-paid war jobs.

All wage changes which would require a change in the maximum price of the commodity or service affected had to be approved by the Director of Economic Stabilization before such increases could be effective. This was necessary in only four out of every 1,000 cases.

The President also directed that action be taken immediately to stabilize prices under the additional authority conferred by the Act of October 2. The President directed that the Price Administrator, in fixing and adjusting prices, shall determine price ceilings which would prevent unreasonable and exorbitant profits.

e. Rationing.

Between May 5, 1942, and March 29, 1943, the following scarce essential commodities were rationed to insure fair sharing by civilians:

Sugar.

Gasoline (to conserve the Nation’s mileage and in the 17 eastern States to conserve gasoline and fuel oil transportation facilities as well).

Bicycles.

Men’s rubber boots and work shoes.

Fuel oil.

Coffee.

Heating stoves (in 33 States where fuel oil is rationed).

Shoes.

Processed foods—canned, dried, and frozen fruits and vegetables.
Meats and edible fats and oils (bringing about one-third of all foods under rationing).

4. *The “Hold-the-Line Order” of April 8, 1943.*

April 8, 1943.—The President issued his Executive Order to “hold-the-line.” The Price Administrator, and in the case of agricultural commodities, the Price and Food Administrators were directed to place ceiling prices on all commodities affecting the cost of living, to authorize no further increases in ceiling prices except to the minimum extent required by law, and to use all their lawful powers to reduce prices which were excessively high, unfair, or inequitable. The War Labor Board and other agencies having powers over wages and salaries were directed to permit no further increases except in accordance with the Little Steel formula or when clearly necessary to correct substandards of living. The War Manpower Commission was authorized to issue regulations forbidding the transfer of employees to higher paying jobs unless the change would facilitate the prosecution of the war. Attention of all Federal, State, and municipal agencies concerned with common carrier or other public-utility rates was directed to the stabilization program so that increases will be disapproved and reductions effected to carry out purposes of the program.

5. *Actions Subsequent to the “Hold-the-Line” Order.*

April 9, 1943.—WLB held 10,000 applications for wage increases based on the existence of inequalities and gross inequities.

April 10, 1943.—The War Food Administration announced that live hog prices were out of line with ceiling pork and lard prices and should come down from

\$1.50 to \$1 a hundredweight, and that ceilings would be worked out to be placed on live hogs if necessary to get the prices down; also that corn prices would be raised immediately by the amount of the 5 cents to accrue in storage fees for the remainder of the marketing season; to get corn moving and change the feed-hog price ratio in a direction favoring marketing of hogs. During the next 15 days, the live hog prices declined from \$16 top at Chicago to a top that has since fluctuated between \$13.88 and \$15.05.

April 11, 1943.—The War Manpower Commission issued regulations preventing changes from lower paid to higher paid jobs in essential industries with minor exceptions.

April 24, 1943.—The Office of Price Administration and the War Food Administration announced a plan for stabilizing cotton prices at the existing levels through sales of Commodity Credit Corporation cotton, calling CCC loans on long-staple cotton, and taking immediate steps to formulate a permanent maximum price regulation for raw cotton for imposition if and when necessary.

April 30, 1943.—Price Administrator Prentiss Brown announced that OPA would (1) reduce prices of meat, fresh and canned vegetables, coffee, and other products; (2) extend price control to every important commodity; (3) establish specific dollars-and-cents top legal prices for foods so that buyers and sellers may know what the legal prices are; and (4) bring violators to justice.

May 9, 1943.—OPA announced a new plan of fixing retail prices in food stores known as the “market basket” plan. Under this plan, definite dollar and cents community prices have been established on a number of commodities. These prices were made effective in 300 cities, and the plan is being expanded as rapidly as possible to include the entire country.

The list of top prices announced the first week of the program represented well over 50 percent of the average family's budget. By now (July 1943) most of the food budget is covered by top legal prices. The top price plan for food, together with the OPA Rent Control program, now provides the consumer with visible price ceilings for items totaling nearly 60 percent of the entire cost of living. The top prices are the highest prices at which any store in the community may sell commodities coming under the regulation.

Market basket top prices are published in newspapers and the consumer is expected to be her own "policeman."

May 12, 1943.—The Director of Economic Stabilization clarified the "Hold-the-Line" Order, setting down guides and limits for permitting the War Labor Board to correct substandards of living and to make adjustments within the existing price structure in order to aid in the effective prosecution of the war or to correct gross inequities. Such adjustments could only be made up to the minimum of the "wage-rate brackets" for each occupational group. No adjustment of wages already within these brackets will be allowed. Adjustments called for by the Little Steel formula (15 percent over the January 1941 levels) were excepted.

May 28, 1943.—The Office of War Mobilization was established with James F. Byrnes as its Director. Judge Fred M. Vinson of the U. S. Circuit Court of

Appeals was appointed to succeed him as Director of the Office of Economic Stabilization.

June 10, 1943.—The OPA rolled back the cost of butter. Prices were reduced 10 percent (on the average, five and one-half cents a pound). So that prices could be reduced without lowering returns to producers or "squeezing" processors, subsidies were paid to the latter.

June 18, 1943.—The WLB, which on May 25 denied any general wage increase to 450,000 bituminous coal miners, represented by the United Mine Workers, denied the miners' demand for \$2-a-day portal-to-portal pay. The Board found that the workers were not entitled to any general increase under the national economic stabilization policy, and that the question of portal-to-portal pay was one for determination by the courts.

June 21, 1943.—Prices of meat were "rolled back" approximately 10 percent by methods similar to those used to reduce the price of butter.

June 23, 1943.—A general wage increase of 8 cents an hour for 1,100,000 non-operating railway employees, recommended to the President by an emergency board of the National Railway Labor Panel, was returned to the board by Judge Fred M. Vinson, Director of Economic Stabilization. Judge Vinson authorized the board to reconsider its recommendation and make a revised recommendation to the President.

III. Objectives of the Information Program

The primary objective of an information program to combat the rising cost of living must be this:

To create such an understanding of the problem that people will be impelled by their own *self-interest* and *patriotism*:

1. To accept measures which are necessary to *relieve the pressure* on prices as well as those necessary to *control* prices and wages.
2. To help make such measures effective by their own actions . . . by themselves doing the right things and by resisting the efforts of others to try to make big money out of the war.

Only when people are impelled by a clear understanding of the problem and their *personal stake* in it, will they take the following essential actions:

1. Refrain from letting their money exert an additional pressure on prices by willingly accepting and supporting higher taxes, even for themselves, if called upon to do so;

by buying and holding War Bonds to the full extent of their ability;

by establishing and maintaining a savings account and keeping up their life insurance;

by paying off their debts and avoiding making new ones.

2. Hold down their own prices, wages, and salaries by asking no more in prices or wages and salaries than they absolutely must.

3. Help hold down prices generally by paying no more than ceiling prices;

by supporting rationing, and by buying only what they need, thereby reducing civilian demand.

4. Resist the efforts of others to raise their prices, wages, and salaries by clearly understanding that success in combatting rising prices depends upon the cooperation of *all*—businessmen, farmers, workers, housewives, and Government.

IV. Suggested Information Approach

General Cautions:

In developing the information program, certain general cautions should be observed to ensure a more coherent and more easily understandable attack on the whole problem. These cautions should be continuously checked when developing output.

1. The problem should be explained in *simple, personal terms* wherever possible.

Few people understand exactly *how* taxes they pay and Bonds they buy help win the war and help ensure economic stability.

Although they agree that the "other fellow" should hold his prices and wages down, few people realize that they *too* must do the same.

2. Because the explanation of this entire problem necessarily involves a rather negative emphasis, those using the program book may tend to neglect the highly essential emphasis on "action." Part of this condition is met by other specific programs, war bonds, price ceilings, rent control, which are devoted very largely to getting action from the people to do certain concrete things which will have an anti-inflationary impact. Nevertheless, it is important to develop an action emphasis in this program, not by avoiding or subordinating the explanatory phase, but by utilizing the explanation to *convince people that they should act in a way to support the inflation controls*. Explanation, in itself, is not enough, and may tend to develop unwarranted expectations of price rises. The program will not succeed as a result of understanding alone, but as a result of actions.

3. *The word "inflation" should be avoided wherever possible.*

It has so many connotations in the public mind that leading public opinion analysts agree that people generally have no clear understanding of the term. The following terms are believed to be clearer:

High cost of living.

Rising prices

It is important that emphasis should be made in terms of "*holding prices down*," "*keeping prices and wages stable*," etc.

4. AVOID CREATING FEAR ABOUT PRICES.

This is of the utmost importance, because such fear in itself can cause prices to get out of control. If people expect prices to rise wildly, they will bid against each other, thus causing the very condition they are trying to avoid.

For the same reason, parallels between our present problem and past uncontrolled price rises must be made with the *greatest care*.

For instance, public opinion studies show that people generally have no real fear that we will have the German type of inflation at the close of the last war. They probably tend to be right in this. The German Government printed paper money recklessly. In this country we have an effectively controlled banking system which could be made a mechanism for inflation, but which can also be used to restrain inflation.

The fundamental difference, however, is that defeated Germany with its industrial plants run down, its manpower reduced, and its export trade completely disrupted had to meet reparation and other demands that strained her economy past the breaking point. The desperate government knew only one way to take resources from a demoralized

people: hyperinflation. This will not happen here because we will not be defeated. Our economic machine will not break down and our productive capacity will continue to be adequate to meet the demands that will be made upon it. Moreover, because the nature of inflation is better understood than it was 25 years ago, we know what we must do to prevent it.

5. All phases of the economic stabilization program should be consistently linked together.

The different phases are interdependent. One phase may be emphasized in a particular instance, but its relationship to other phases should always be clearly, if briefly, indicated.

6. Always stress that prices can be controlled and that action is being taken to control them.
7. Generally the first approach to convince people to action on some aspect of the inflation program should be positive rather than negative. The approach on price ceilings is likely to be better understood if the approach is: "Support Price Ceilings. Look for the posting of ceiling prices. That is the way to help your country's program to control prices, etc.," rather than "Don't pay more than ceiling prices. It's unpatriotic, etc." Likewise on the subject of wages, the first approach should be positive. For example, "Be Patriotic. Help support rationing and price control in order to keep prices down. And do your share to keep your wages from rising, for if *they* go up, *prices* will go up too."

Specific Suggestions:

Because of the nature of the objectives, the information approach logically divides itself into two phases:

A. "*Understanding*"—what people must understand to appreciate the program and the need for action.

B. "*Action*"—what people can *do* to prevent rising prices and ensure economic stability.

Suggestions as to these two phases follow:

A. "*Understanding*" suggestions:

1. People must understand that the higher incomes which many of them enjoy today arise directly out of the war.

2. People must understand—in *simple, personal terms*—how prices can go too high unless *all* of us take the proper safeguards.

"All of us" means businessmen, farmers, workers, housewives, and Government.

They must understand that keeping prices under control is *their personal responsibility*—that their *individual* actions, multiplied by similar actions of thousands of others, either can create rising prices or can promote economic stability, speed victory, and help ensure the full attainment of the benefits of the peace to come.

3. People must understand the elements of the program to keep prices and wages stable and the *relation of each element to the rest of the program*. It must be remembered the program is two-sided, invoking both Government and civilian action.

People must understand the purposes of the program as a whole and of each of its component parts. In general, the measures fall into two broad groups. (See page II.) The first group is designed to *reduce the number of dangerous dollars in circulation and thus ease the pressure*

on prices. High taxes, profit control, War Bond purchases and savings all contribute to this end. The discouragement of unnecessary buying and restrictions on installment and credit purchases are similarly intended to reduce the pressure on prices. The second group of measures seeks *to control prices directly*—by means of price ceilings and the stabilization of wages and farm prices; *and to insure a fair, orderly distribution of the goods which are available* through rationing.

All elements of the program should be treated together, even though one may be emphasized at the particular time; that is, all elements should be mentioned when one is. It is especially important to point out this integration in connection with wage and price increases. For instance, keeping prices down makes it possible to keep wages down; or keeping wages down makes it possible to keep prices down; or buying bonds reduces the amount of spending money, which consumers use to bid up prices of scarce goods, and if prices go up, wages rise, so that when you buy bonds you help keep wages and prices down.

They must understand that this program has been reasonably successful thus far, but that many experts believe stronger controls will be necessary because of the growing pressure of excess purchasing power. They should be kept up-to-date on the progress of the program.

4. *People must understand that it is to their own self-interest to do everything possible to help hold down prices.*
5. People must also understand that it is patriotic to do so.

6. Finally, people must understand that, in order to prevent prices from getting out of control, they *must practice self-restraint*, that self-restraint means giving up something—means *sacrifices*—often *unequal* ones.

This is war. All soldiers are not asked to make the same sacrifices, but *all* stand ready to make the greatest sacrifice if called upon to do so. Equal willingness to give up something—to make sacrifices—is necessary on the part of civilians if victory is to be speeded and American lives saved in the process.

This point cannot be stressed too strongly.

B. “Action” suggestions:

Although activities of the Government must be the focal point of any effective program for holding down prices and wages and ensuring economic stability, civilians must carry out *their* share of the program by doing the following:

1. Buy and hold as many War Bonds as you can afford.
2. Pay willingly any taxes . . . increased taxes . . . that your country needs.

They are the cheapest way of paying for the war . . . of buying victory and protection for the American way of life.
3. Pay off your debts and avoid making new ones.
4. Provide for your own and your family’s future with adequate life insurance and savings.
5. Pay no more than ceiling prices. Buy rationed goods only by exchanging stamps.

Rationing is your protection that you will get enough of scarce essential goods.

Ceiling prices are your protection against serious and unwarranted price increases—one of your main guarantees of economic stability.

6. **Buy only what you need.** Make the articles you have last longer by proper care and avoidance of waste.

Eat it all, wear it out; make it do, or do without.

7. **Don't try to profit from the war.** Don't ask higher prices if you are a businessman or farmer. Don't ask for higher wages or salaries.

"The only way to hold the line is to stop trying to find justification for not holding it here or not holding it there."

President Franklin D. Roosevelt,
April 8, 1943.

The above seven points should be used together wherever possible for they are interdependent. They always should be tied to the attainment of some specific war objective. It should always be explained how each point helps win the war.

Suggestions for Treatment of "Understanding" and "Action" Information:

The following examples indicate how the problem may be presented in simple, understandable, and personal form. The examples have been organized under the headings of the preceding "information suggestions." The significance of the various elements of the Government's program have been treated under the "action suggestions," since it is desirable to tie them as closely as possible to the individual.

Personal Responsibilities Entailed by Higher Incomes Created by the War:

Many of us today are enjoying higher incomes than ever before. It is a sobering thought, however, to remember *why* we have higher incomes.

The reason is the war—the same war which, started by the Axis, has cost thousands of American lives and which will cost thousands more . . . the same war which has caused death and untold suffering for millions throughout the world.

This Axis-created war has caused the greatest demand for American food and materials in history . . . a demand which could be met only by more of us working than ever before, and by all of us working harder and longer.

More people working harder and longer . . . a scarcity of labor which helped bring about wage increases . . . has meant more money in the pockets of civilians than ever before. The great and growing demand also has meant higher prices for businessmen and farmers so that our income is the greatest in history.

There are less goods to buy and more money to buy them with.

This fact, which is the simplest possible statement of the problem of rising prices, places great responsibility on the American people. We can do one of two things about it.

1. We can use all of our higher incomes to scramble to get what goods are available. This will start a price rise which can go so high as to endanger the war effort, create hardship for many people, and eventually rob all of us of the benefits of peace to come. High prices will not increase the supply of goods today.
2. Or we can put our higher incomes to work at speeding victory. We can do this by buying and holding all the War Bonds we can afford, by willingly paying and supporting higher taxes, and by saving for the future rather than spending and bidding up prices now.

The choice is *ours* . . . the responsibility *ours*.

It's up to us.

**How Prices Rise and How They Rise Too Far
Unless All of Us Take Proper Safeguards:**

The reason for a price rise in wartime is simple. Anyone can understand it. The production of *more* materials for war means the production of *less* civilian goods. More people working for more money means more money available to spend. This increased volume of money competes for scarce goods . . . if we let it . . . and when more money competes for scarce goods, it bids up prices.

But higher prices increase the cost of living, so that workers will seek higher wages to meet increased living expenses. Higher prices and higher wages will mean increased costs for businessmen, which they will try to cover by charging still higher prices.

Higher prices will mean increased costs to farmers, which they will try to meet by charging higher prices for farm products. But if farmers or businessmen charge higher prices for their products, this will raise the cost of food. Higher food prices will raise the cost of living and workers will want still higher wages, which, if granted, will increase business costs and bring a pressure for still higher prices . . . and these price increases finally will get back to the farmers who then will want still higher prices.

Thus the circle goes, unless we carry out the control program. Each price increase breeds another price or wage increase; which in turn breeds another . . . and yet another . . . and the amount of goods remains the same.

The Program Consists of a Series of Integrated, Interdependent Controls. Each Measure Contributes to the Success of the Whole.

The Government's economic stabilization measures are not arbitrary or unrelated. Each has a definite, functional part to play in the success of the program as a whole. No one part can be neglected or sabotaged without jeopardizing the success of the entire program.

The seven stabilization measures fall into two broad groups. The first group is designed to ease the pressure on prices by reducing the number of dollars competing for the limited supply of goods. High taxes and profit control limit the number of dollars in circulation. The purchase of War Bonds and other forms of saving divert dangerous dollars to safe channels. Restrictions on credit and installment purchasing, and self-restraint in buying on the part of individual consumers, reduce the buying pressure which, if unchecked, might bid prices up to dangerous heights.

The second group of measures attempts to "sit on the lid" of rising prices. Ceilings have been placed on the price of most consumer goods, many services and rents. Wages and farm prices are being stabilized. Finally, to reinforce price control and insure a fair, orderly distribution of the goods which are available, scarce goods are being rationed.

Each of these measures contributes to the success of the entire program. Each of them requires active public support. Victory in the war against rising prices depends on cooperation between the people and their Government on every sector of the anti-inflation front.

It Is to the Self-Interest of the Individual To Do Everything Possible To Help Hold Down Prices.

The situation which faces us today is simple to understand. We Americans have more income—more money to spend—than ever before in history. But there are less goods on which to spend our money. There are enough goods to meet most of the *essential requirements* of civilian life . . . but no more. If most of us make more money, which is what is happening, there still are no more goods . . . the amount of money doesn't help.

If we use our extra war-created income to buy this limited supply of goods—all that we will do is to bid up prices.

There won't be any more goods. We have had to limit the production of civilian goods to meet the needs of our Axis-created war.

If we go out and buy to satisfy our whims and desires—rather than keeping our purchases to the things we really need—all we shall do is to pay *more* for the *same* amount of goods. We therefore will have less money available to buy new and improved goods later on.

If we help bid up prices, we will increase materially the cost of the war.

The many millions of people with relatively fixed incomes.—Teachers, other Government employees, veterans and veterans' families living on pensions, people receiving public assistance, families of the men in the armed forces—these would suffer at once. White collar workers, whose wages lag far behind changes in the cost of living, would suffer in almost the same degree.

Those who received increases in wages or prices would live in a fool's paradise for which the final day of reckoning would be swift and certain. As prices continue to increase, they outstrip wages and civilian purchasing power is squeezed. When this stage is reached, any one of a number of events may start prices tumbling. Sharply falling prices produce a period of depression and business stagnation which hurts nearly everyone, producing bankruptcy and unemployment.

For wage earners they mean cuts in wages, reduced working hours, and unemployment . . . less money to pay off mortgages on houses bought at high prices, less money to meet insurance premiums on policies bought when wages were high; less money for day to day needs.

For farmers it would mean less money coming in to pay for farms and equipment bought during the period of high prices. It would mean failure and foreclosure for many.

For businessmen it would mean severe losses and financial receivership; often receivership and bankruptcy.

None of these things need happen if all of us do our part to keep rising prices under control.

It Is Patriotic To Do Everything Which Would Help To Hold Down Prices:

1. To act contrary to the rules of the game is playing into the enemy's hands . . . is doing what Hitler wants . . . what Japan wants. When men are dying we are asked to do very little . . . especially when we benefit in the long run.
2. It would *raise the cost of the war* because the prices of things the Government has to buy would be higher. That would increase the burden of taxes which all of us—including our fighting men when they returned—would have to pay for many years.
3. It would cause immediate hardship for many people with fixed incomes—including veterans and veterans' families living on pensions, families of the men in our armed forces, widows living on insurance payments, etc.
4. It would create demands for higher wages, foster labor disputes, hurt morale and *impair the war effort*.
5. Business would have to face such maddening uncertainties in all costs that it would not know how to plan its activities. Business would become reluctant to take risks, slow up . . . and again the war would be impaired.
6. At some point prices would outstrip wages in the race upwards. At this point very little would be required to knock down the house of cards which uncontrolled price rises had reared. When prices come tumbling nearly everyone would suffer, our economic life would stagnate in a depression, and the national well-being would be seriously damaged.

People Must Understand That They Must Practice Self-Restraint To Help Keep Prices Down:

It means foregoing buying things we really don't need . . . restricting our purchases to what is essential—so as to hold down the pressure of demand for the limited supply of civilian goods. It means that we must make what we have last longer—so that we will have to buy less.

It means foregoing the temporary advantage of higher prices for the things we have to sell—foregoing higher wages. It means putting our money to work in winning the war by paying higher taxes and buying and holding all the War Bonds we can afford.

It may mean sacrifices for some of us—but these are trivial sacrifices compared to those asked of our fighting men at the front. And they are sacrifices which will pay out in the long run—which will help keep the Nation strong for the fighters who are offering their lives for it.

It may mean that the burden of sacrifice will fall unevenly and that some of us will have to give up more than others. But this is true of the fighting front as well as the home front. All soldiers are not asked to make the same sacrifices. Some die. Some are ordered into posts of great danger. Some are more fortunate. But *all* are ready to make any sacrifice which is asked of them. We on the home front *must* be willing to do no less.

We must remember that living standards are now generally high enough to enable the great majority of us to exert a maximum productive effort in winning the war. This is the important thing in wartime. Government will do its best to see to it that everyone will get this much; but it will *not* encourage any group in its efforts to get more than this. Everyone must help the Government resist such pressures.

The fight to hold down prices is a vital part of the war effort. Like the war, it has a cost, but it is well worth the cost.

It involves the acceptance of controls throughout the war and into the peace. These controls are necessary to make sure that the program is fair to everyone, that no individual or group profits at the expense of anyone else. And that, at the war's end, the Nation is sound and strong . . . the very things we are fighting for.

It involves the acceptance of sacrifices, minor indeed when compared to the soldier's offer of his life. The program cannot give us our peacetime habits and standard of living.

It can distribute the burden of economic sacrifice equitably, insure a fair distribution of the goods and services available, and protect the economy which is our common concern.

These benefits far outweigh the inconveniences and sacrifice the program requires. Indeed, these inconveniences and sacrifices are not the result of the *program*—they are the result of *war* . . . of a war caused by the enemy, not by you and me. We would be much worse off without a program, with one group pitted against another, with the burdens of war falling unevenly on different groups, with restricted supplies of goods unfairly distributed. Our fight against the enemy, our entire social and economic structure would be jeopardized by the failure of the economic stabilization program. We have an immediate and long-term stake in its success.

What the Public Can Do To Help Hold Down Prices:

BUY AND HOLD WAR BONDS

Put your money to work helping to win the war . . . all that you can afford. Keep on doing it. No matter how much higher taxes go, they still can't pay for *all* of the war. When you buy War Bonds instead of goods, you also are helping in the vital fight to hold down prices and the price of the war.

You are helping to hold down prices because the dollars which you put into War

Bonds are not dangerous dollars bidding in the market for scarce goods . . . forcing up prices that in turn force up wages . . . creating higher prices and wages which increase business costs and generate a pressure for even higher prices . . . starting a rising flood of higher prices and wages that can lengthen the war and endanger the peace to come.

Equally important, when you buy War Bonds you help insure your future economic stability and the economic stability of your country. You are laying aside a nest egg for after the war . . . for the home you want when civilian building resumes . . . for the education of your children. Save now. Spend when you can get your money's worth. In holding down prices you are making easier your task and your country's task in getting back to a peacetime basis. The lower we keep prices *now*, the easier it will be for all of us to buy the new peacetime goods . . . the easier to keep our factories working and all of us employed...the easier to build a strong, prosperous Nation.

**PAY WILLINGLY ANY TAXES . . .
HIGHER TAXES . . . YOUR COUNTRY NEEDS**

They are the cheapest way of paying for the war—of buying victory and protection for the American way of life. They are the cheapest way because there is no interest to be paid; because there is no problem of retirement as there is with bonds—retirement for which funds must come from further taxes.

Taxes also help keep down the cost of living by removing dangerous dollars from the market where they only bid up prices by competing for the purchase of scarce goods and services.

**PAY OFF YOUR OLD DEBTS AND AVOID
MAKING NEW ONES**

It's a much better way to use your money than to employ it to bid up prices. If you pay off your debts you achieve independence. You are in a better position to take advantage of our return to peace.

PAY NO MORE THAN TOP LEGAL PRICES

Top legal prices are your protection against serious and unwarranted price increases—one of your important guarantees of economic stability. However, they will work only if *you* make them work . . . if *you* will observe them in your buying, if *you* will help in enforcing them.

To make certain of paying no more than you should for foodstuffs, look for the list of top legal food prices in your newspaper and clip it out. When you shop, compare the prices of your grocer or meat dealer with the top legal prices listed for his particular class of store. Call his attention to any item that is overpriced. Most grocers and dealers are extremely honest and patriotic, and when mistakes are called to their attention, will correct them immediately. However, if your dealer will not correct his mistake, or continuously and willfully violates the price regulation, notify the price panel of your local War Price and Rationing Board.

SUPPORT RATIONING

Rationing not only ensures you a fair share of scarce commodities. It also helps hold down prices by stabilizing supply and demand.

BUY ONLY WHAT YOU NEED

Dollars you spend for unnecessary things are dangerous dollars. They compete with other dollars for the fewer things available because of the war. Hence they are the dollars that bid up prices. So before you buy, carefully look over what you have. Eat it all, wear it out; make it do, or do without. If you still think you need to buy, compare the *slight* sacrifice you would make in not buying with the *unlimited* sacrifice our fighting men must make without having a choice!

**DON'T ASK MORE FOR WHAT YOU HAVE TO
SELL . . . MORE IN PRICES FOR GOODS . . .
MORE IN WAGES AND SALARIES**

Any additional amount you ask for either goods or wages will only be passed on to others and will eventually have to be paid right out of your own pocket. This is in-

evitable because the war's demands on our productive facilities and our labor supply make it impossible for others to *produce* more or *do* more. No one can *produce* any more. No one can *get* any more. But all have to pay more for the *same* goods, the *same* work that formerly cost less. Before you charge more for your work or for what you have to sell, do this. Compare what you would sacrifice by foregoing a rise in your price with the many

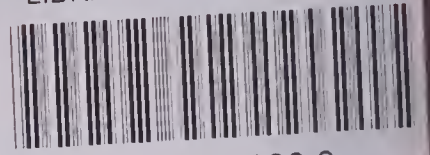
sacrifices our fighting men must make without even having a choice!

NOTE.—While this appeal is stated last, it is of extreme importance. Many of us do not realize that in seeking more pay or profit we actually are profiteering at a time when sacrifice should be the rule. *It is highly important to get this fact across at all times in this program.*





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